

# Japanese Government financial statement for FY2009 (the year ended March 31, 2010)

Government financial statement shows the financial situation including the relationship between assets and liabilities and the relationship between operating cost and revenue for entire government following the private sector's accounting practice.

(Note) A general account and 18 special accounts of all the ministries are consolidated for preparation of the government financial statement.

## Government Balance Sheet (as of March 31 2010)

(unit: trillion yen)

<Assets>		<Liabilities>	
Cash and Deposit	18.8	Financing bills	96.8
Securities	91.7	Government bonds	720.6
Account receivable etc	14.1	Borrowings	21.9
Loans	155.0	Money in custody	8.8
Money in Trust	121.4	Deposit reserved for public pension	130.4
Allowance for doubtful debt	-2.6	Allowance for retirement benefits	12.4
Tangible assets	184.5	Other liabilities	28.1
Intangible assets	0.3	<b>Total Liabilities</b>	<b>1,019.0</b>
Investments	58.2	<Difference b/w assets and liabilities>	
Other assets	5.3	<b>Difference b/w assets and liabilities</b>	<b>-372.0</b>
<b>Total assets</b>	<b>647.0</b>	Sum of liabilities and difference b/w assets and liabilities	<b>647.0</b>

## Cost and Revenue (Fiscal year 2009)

### (Government operating cost statement)

(unit: trillion yen)

Personnel cost	5.3
Social welfare benefit cost	45.4
Subsidies etc	45.6
Local allocation tax grants	17.6
Interest expenses	9.5
Others	12.5
<b>Total cost</b>	<b>135.8</b>

### (Government statement of changes in difference b/w assets and liabilities)

(unit: trillion yen)

Tax revenue	40.2
Revenue from social insurance premium	36.4
Others	10.6
<b>Total revenue</b>	<b>87.2</b>
<b>Revenue shortfall</b>	<b>-48.6</b>
(Revenue 87.2 - Cost 135.8)	

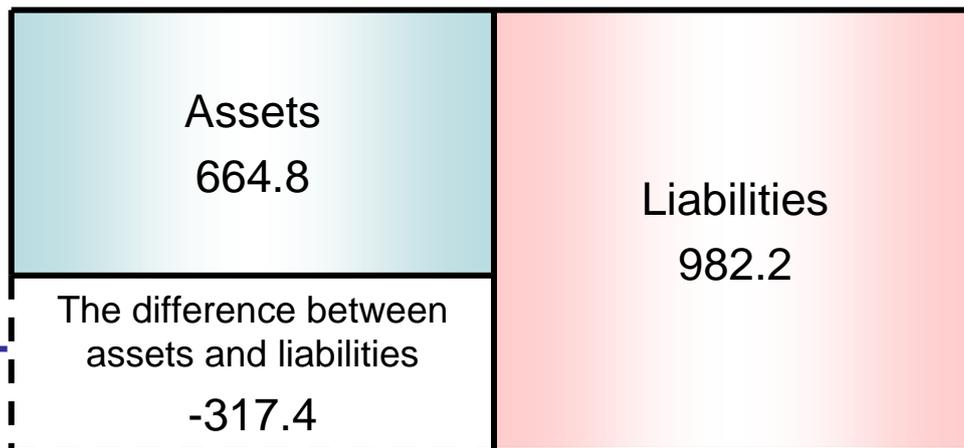
# Relationship between the stock and flow

- ◆ As of March 31, 2010 the government held about 647.0 trillion yen in asset (decrease by 17.7 trillion yen) and 1,019 trillion yen in liabilities (increase by 36.8 trillion yen). Then the difference between the assets and liabilities is minus 372.0 trillion yen (decrease by 54.6 trillion yen).
- ◆ Total operating cost for FY2009 is 135.8 trillion yen (increase by 11.8 trillion yen).
- ◆ Total revenues for FY2009 is 87.2 trillion yen (decrease by 11 trillion yen). Especially for tax revenue, the value is 40.2 trillion yen which decreased largely by 5.6 trillion yen.
- ◆ As of March 2010, -54.6 trillion yen of the difference between the assets and liabilities is mainly due to the revenue shortfalls (-48.6 trillion yen).

## ○Changes of the difference between assets and liabilities

Stock(as of March 31, 2009)

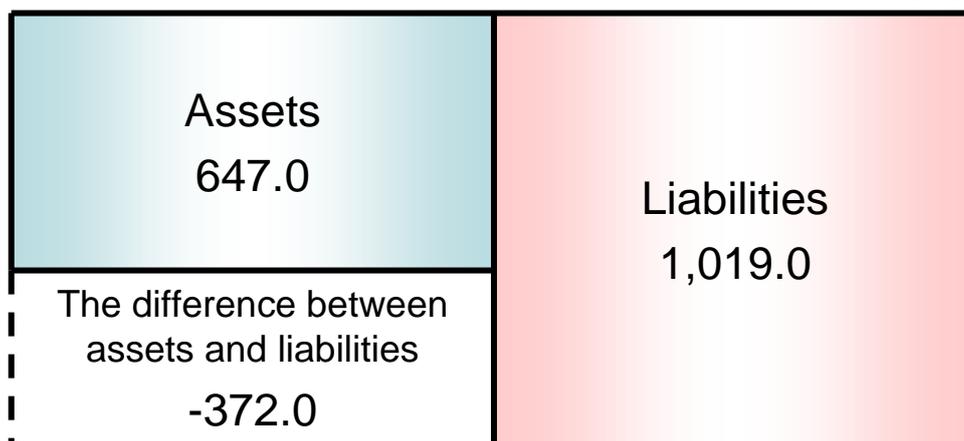
(unit: trillion yen)



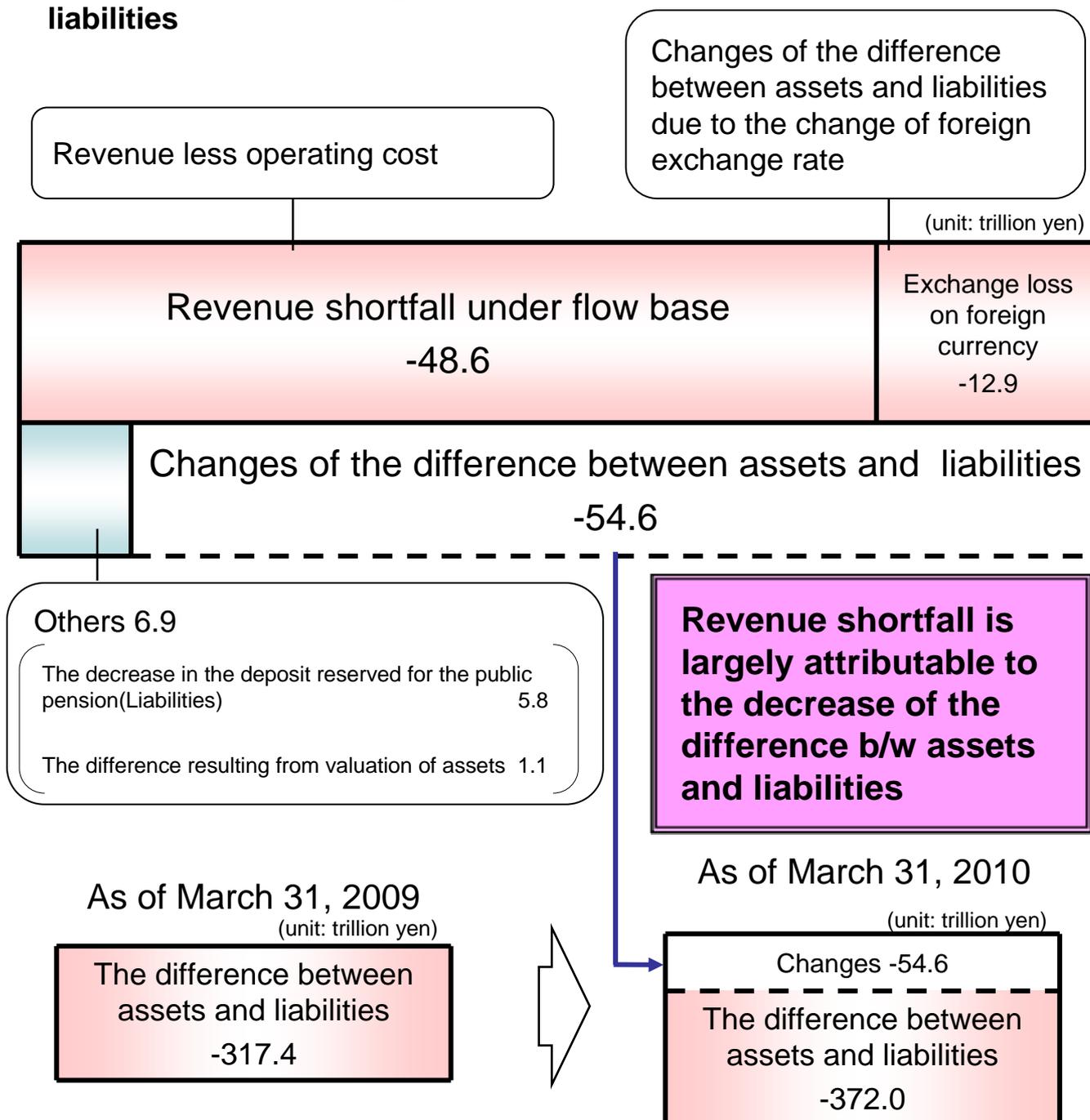
The difference between assets and liabilities  
⇒ **worsen by 54.6 trillion yen**

Stock(as of March 31, 2010)

(unit: trillion yen)



## Reasons for the changes of the difference between assets and liabilities



### ※The difference between assets and liabilities

The Government prepares the balance sheet following the practice of private sector accounting. Because government accounting does not have the concept of “capital (shareholder’s capital) unlike the private sector's accounting, we recognize the equivalent part as “the difference between assets and liabilities” instead of “net asset”. The difference explains the reasons for changes shown in the statement of the difference between assets and liabilities.

# Stock (Balance Sheet)

## Assets

Total assets as of March 31, 2010 is 647.0 trillion yen. Tangible assets account for about 30% of the total, while sum of the securities, loans and money in trust accounts for about 60% of the total

Total Assets 647.0

Cash, Deposit of Bank of Japan, Foreign deposits	Cash and deposit 18.8(2.9%)
Foreign currency securities acquired through foreign exchange intervention ( sale of yen, purchase of foreign currency) and the Japan Post security held by the Government. ※Corresponding liability is financing bills (foreign exchange fund securities).	Securities 91.7 (14.2%)
Long term and low interest rate FILP loans for local governments and policy finance institutions ※Corresponding liability is FILP bonds (Government bonds) etc.	Loans 155.0 (23.9%)
Money in trust for paying future pension benefits ※Corresponding liability is deposit reserved for public pension.	Money in trust 121.4 (18.8%)
Property for public use (National roads, bank etc), national property (government buildings, defense facilities, airport facilities etc)、commodities (vehicles, office facilities etc) ※The value of property for public use is estimated based on the accumulated project expenses in the past.	Tangible assets 184.5 (28.5%) (Property for public use 144.9 National property 36.6 Commodities 3.0)
Investments in the independent administration agencies etc	Investments 58.2 (9.0%)
Accounts receivable, inventories, intangible assets etc	Other assets 17.4(2.7%)

### Note

We need to note the following points to see the asset side of the balance sheet.

- Many of the assets include the assets such as property for public use or investment which is originally not planned to sell and collect cash.
- The earmarked assets does not present the recoverable value in cash.
- The value of cash and deposit include the value of receipt and payment of cash during receipt and disbursement arrangement period.

The difference between assets and liabilities

-372.0

Assets less liabilities (the difference b/w assets and liabilities ) is -372.0 trillion yen because the value of total liabilities exceed that of total assets substantially.

(unit: trillion yen)

# Liabilities

Total liabilities as of March 31, 2010 is 1,019.0 trillion yen and the Government bonds (JGB) account for about 70% of the total. Financial bills and Borrowings account for about 10% of the total.

## Total liabilities 1,019.0

<b>Financial bills</b>	
96.8 (9.5%)	
Foreign currency fund securities	106.4
Others	1.5
Internal holding	-11.1
<b>Government bonds</b>	
720.6 (70.7%)	
General bonds	595.0
FILP bonds	122.3
Others	4.3
Internal holding	-1.0
FILP bonds: Fiscal Investment and Loan Program Bonds	
<b>Borrowings</b>	
21.9 (2.1%)	
<b>Money in custody</b>	
8.8 (0.9%)	
<b>Deposit reserved for the public pension</b>	
130.4 (12.8%)	
<b>Other liabilities</b>	
40.6 (4.0%)	

Issued foreign exchange fund securities to finance yen currency when conducting foreign exchange intervention (sale of yen, purchase of foreign currency) etc

Issued general bonds financed for annual expenditures or FILP bonds financed for providing FILP loans. etc

The difference between government financial statement and statement of closing account with regard to general bonds

Government financial statement	595.0	
Statement of closing account (Statement of liabilities)	594.0	※excluding subsidy bonds etc
<b>Differenece</b>	<b>1.0</b>	<b>(unit: trillion yen)</b>
Main factors		
•The amount issued during the settlement period	+0.5	add the amount issued during the settlement period
•The arrangement amount by amortized cost method	+0.5	add the difference from issue price

Borrowings from private financial institutions to compensate for the revenue shortfall of local government's finance etc

Money reserved for fiscal investment and loan program fund

The value corresponding with assets reserved for the payment of the pension benefits in the future (Money in trust) is earmarked as liability.

Provision for retirement benefits for the employees and the account payable etc

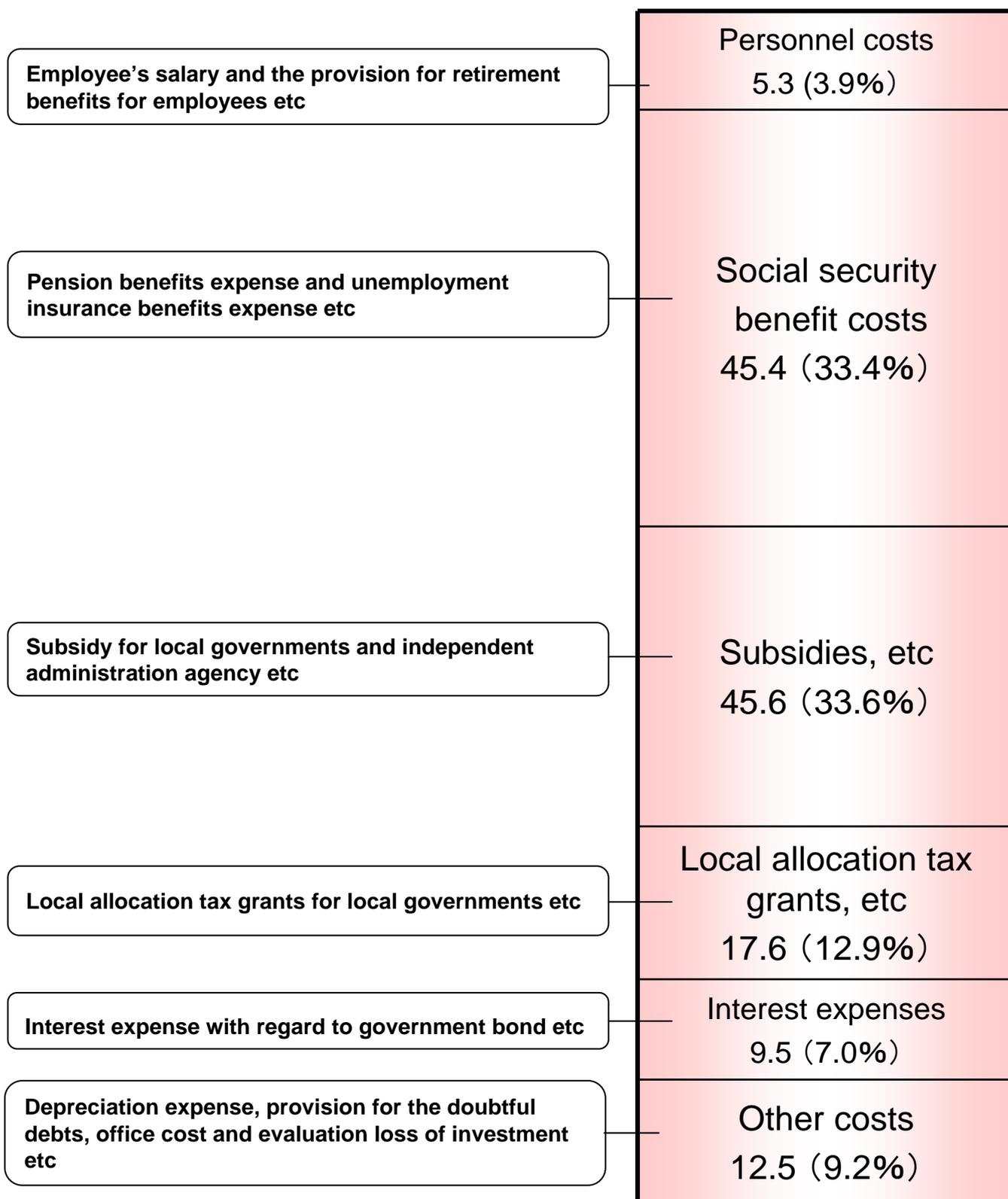
(unit: trillion yen)

# The situation of flow

## Costs (Statement of operating cost)

Statement of operating cost is prepared to show the expense for operating Government administration activities. The total cost for FY2009 is 135.8 trillion yen, which increase by 11.8 trillion yen.

Total costs 135.8

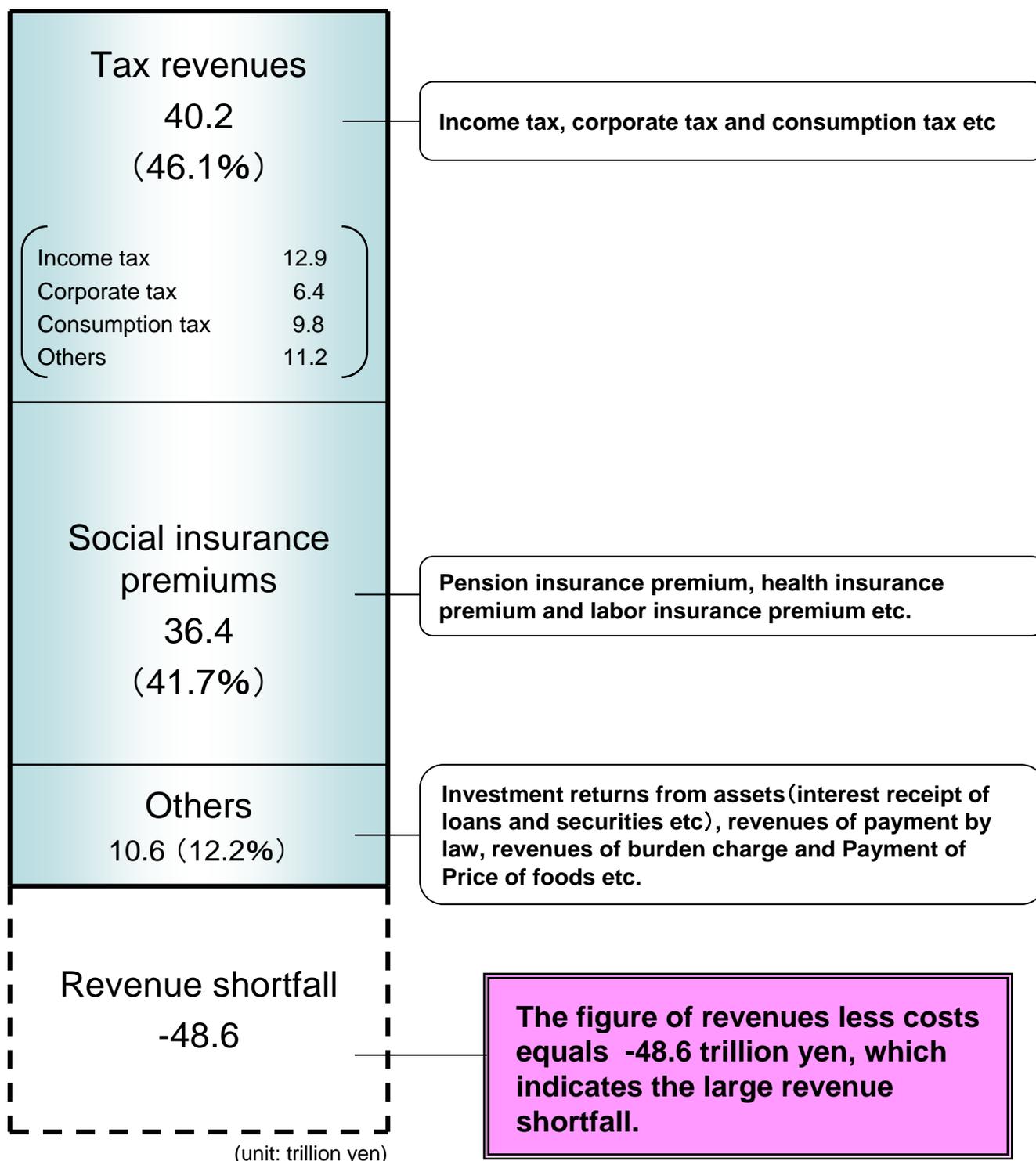


(unit: trillion yen)

## Revenues (from the statement of difference b/w assets and liabilities)

The statement of the difference between assets and liabilities is prepared to explain the changes of the difference between assets and liabilities in the balance sheet. Here basically focused on the revenues which mainly contribute to the increase of the difference between assets and liabilities. The total revenue for the FY2009 is 87.2 trillion yen and the tax revenue accounts for about 50% of the total. Revenue from social insurance premiums accounts for about 40%.

Total revenues 87.2

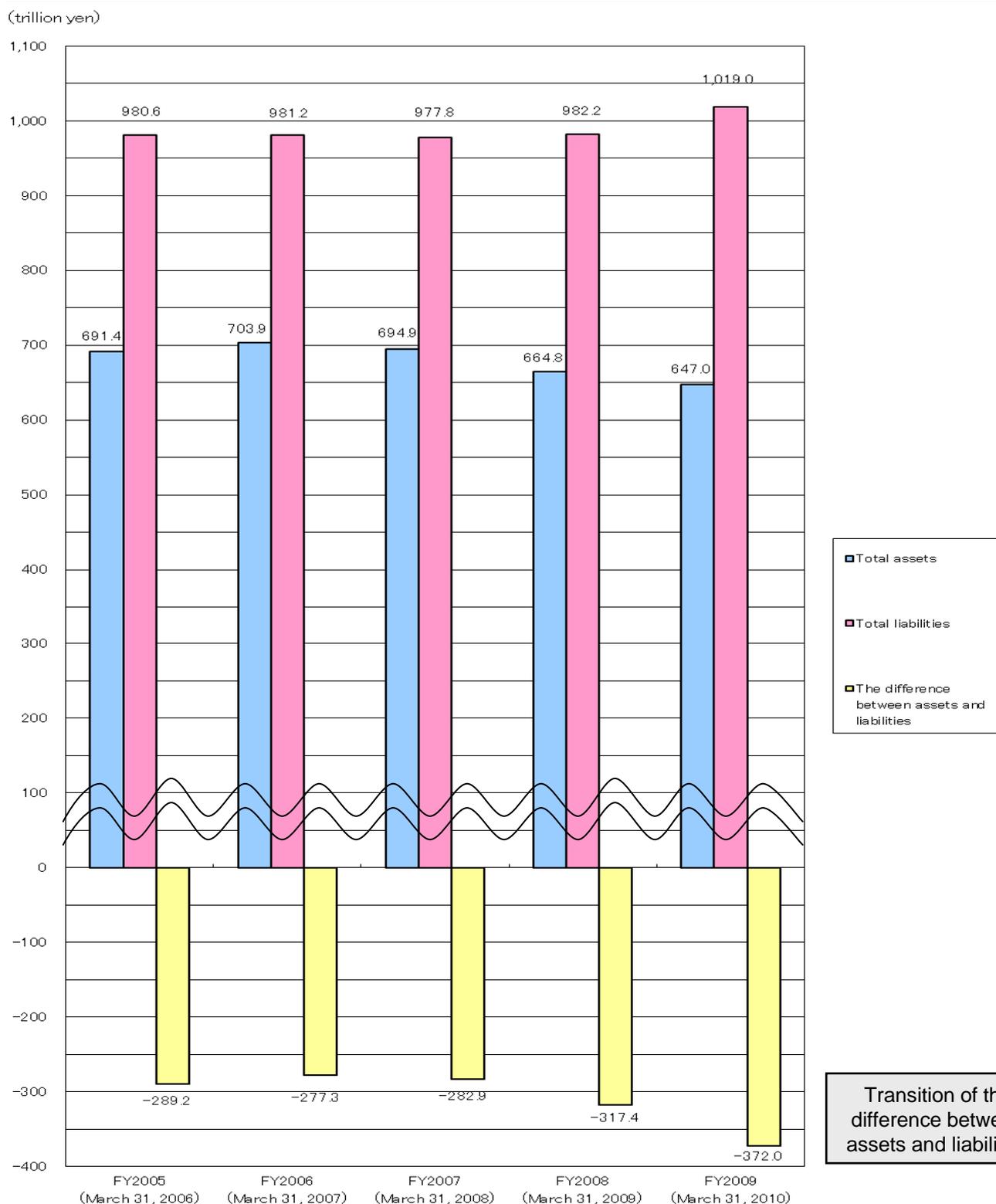


# The transition of stock and flow

## Stock

Liabilities exceed assets substantially. The difference b/w assets and liabilities expands by 82.8 trillion yen during this 5 years. (From -289.2 trillion yen to -372.0 trillion yen)。

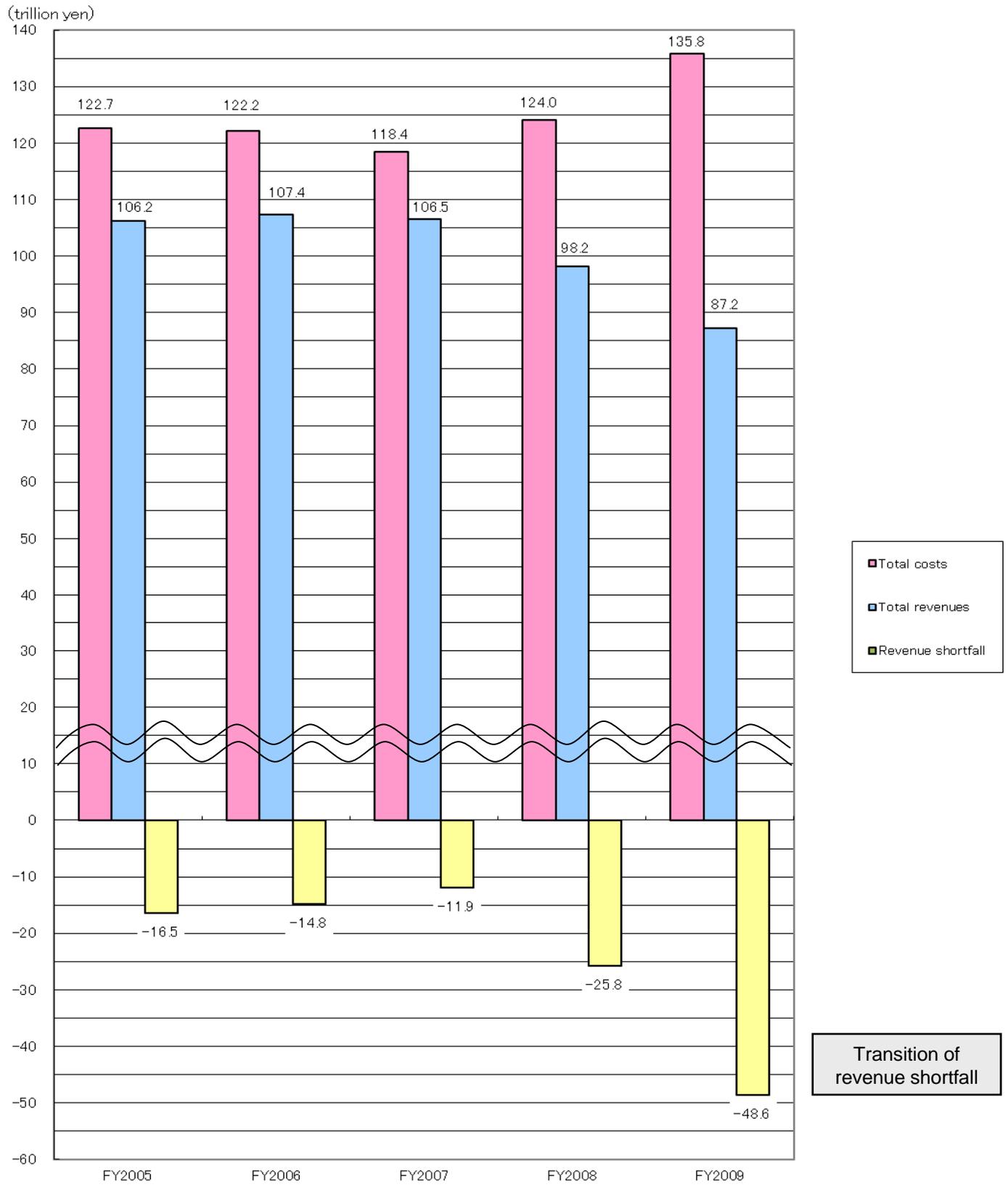
Especially after FY2008, the difference expands substantially because of the expansion of revenue shortfall and changes of exchange rate(strong yen).



※The figures present the published amount at the end of each fiscal year and it does not reflect the change of accounting policies of subsequent fiscal year.

# Flow

The state of revenue shortfall in which the costs exceeds the revenues continues every year. Until FY2007, revenue shortfall has been shrinking due to the increase of tax revenue etc. However revenue shortfall has been largely expanding due to the decrease of tax revenues accompanied by economic downturn since FY2008.



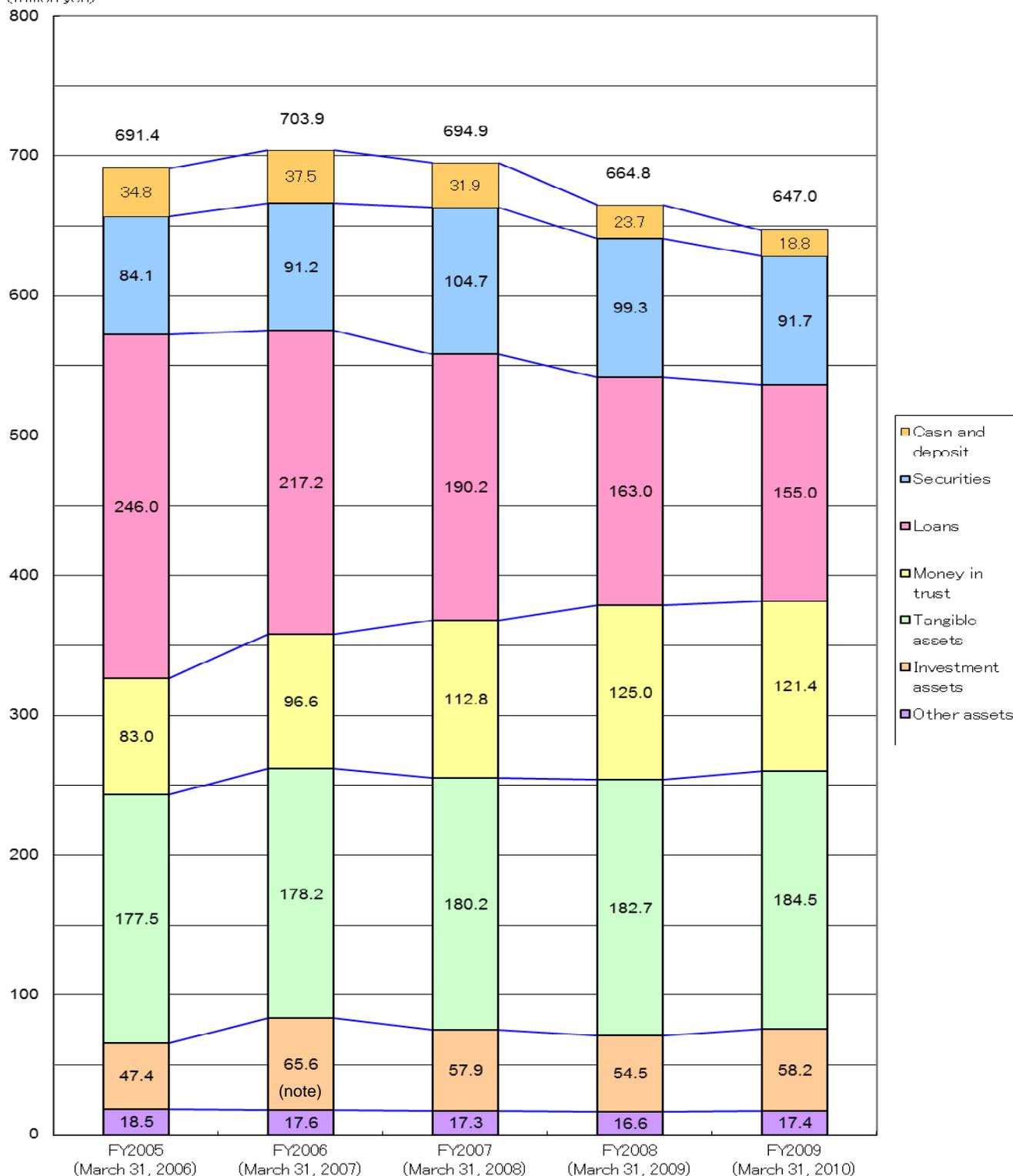
# Transition of individual stock items

## Assets

The total assets decrease by 44.4 trillion yen during this 5 years.  
Especially for loan, the decrease by 91 trillion yen can be seen.

(Note) Evaluation methods of investments was changed from “the accumulated amounts of investments” to “the amount of net assets of the invested corporations” in 2006. Consequently about 16 trillion yen of increase was seen in the value of investments as of March 31, 2007.

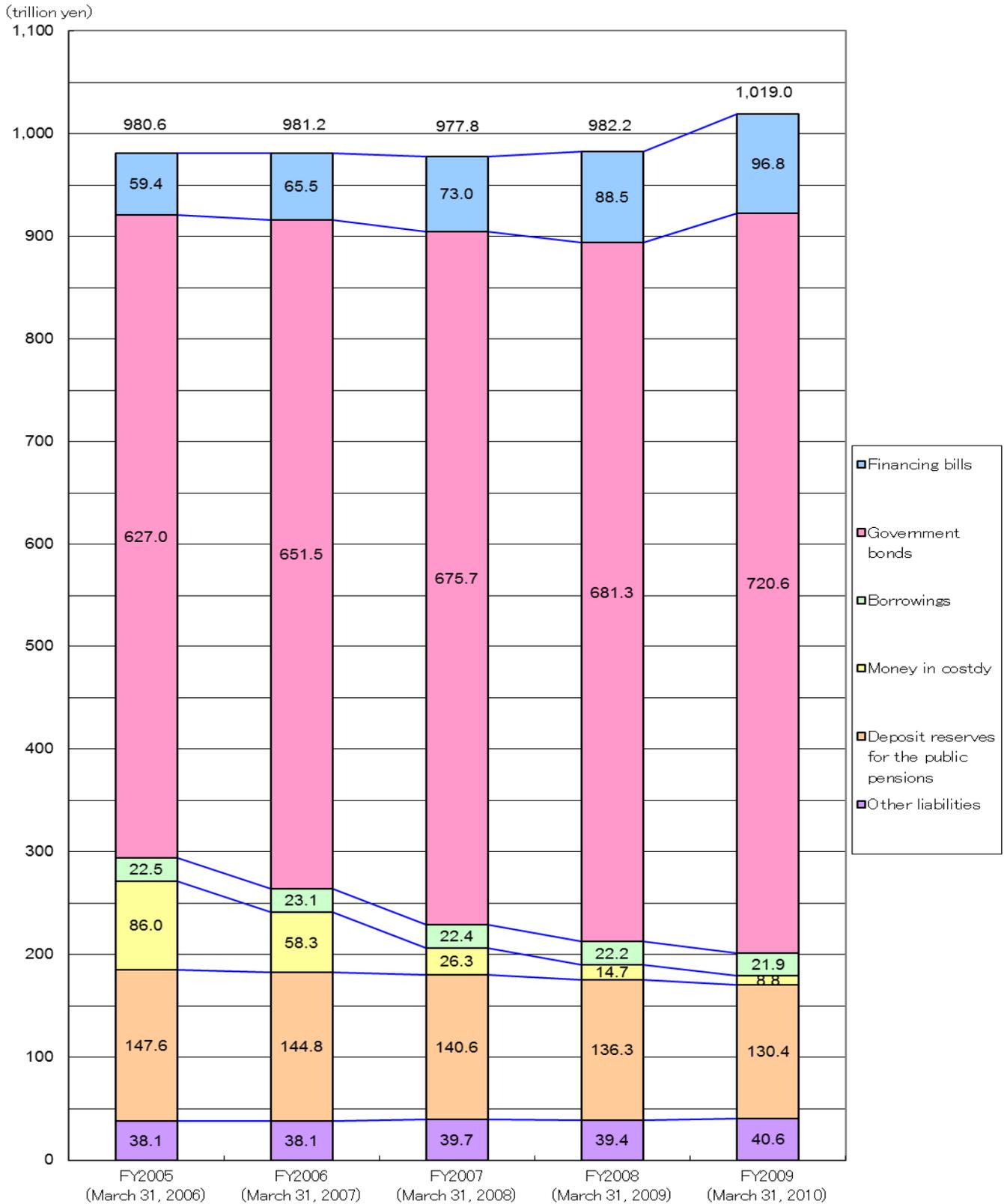
(trillion yen)



※The value presents the published amount at the end of each fiscal year and it does not reflect the change of accounting policies of subsequent fiscal year.

# Liabilities

Total liabilities has been increasing by 38.4 trillion yen during this 5years. Especially for government bond, the increase by 93.5 trillion yen can be seen.

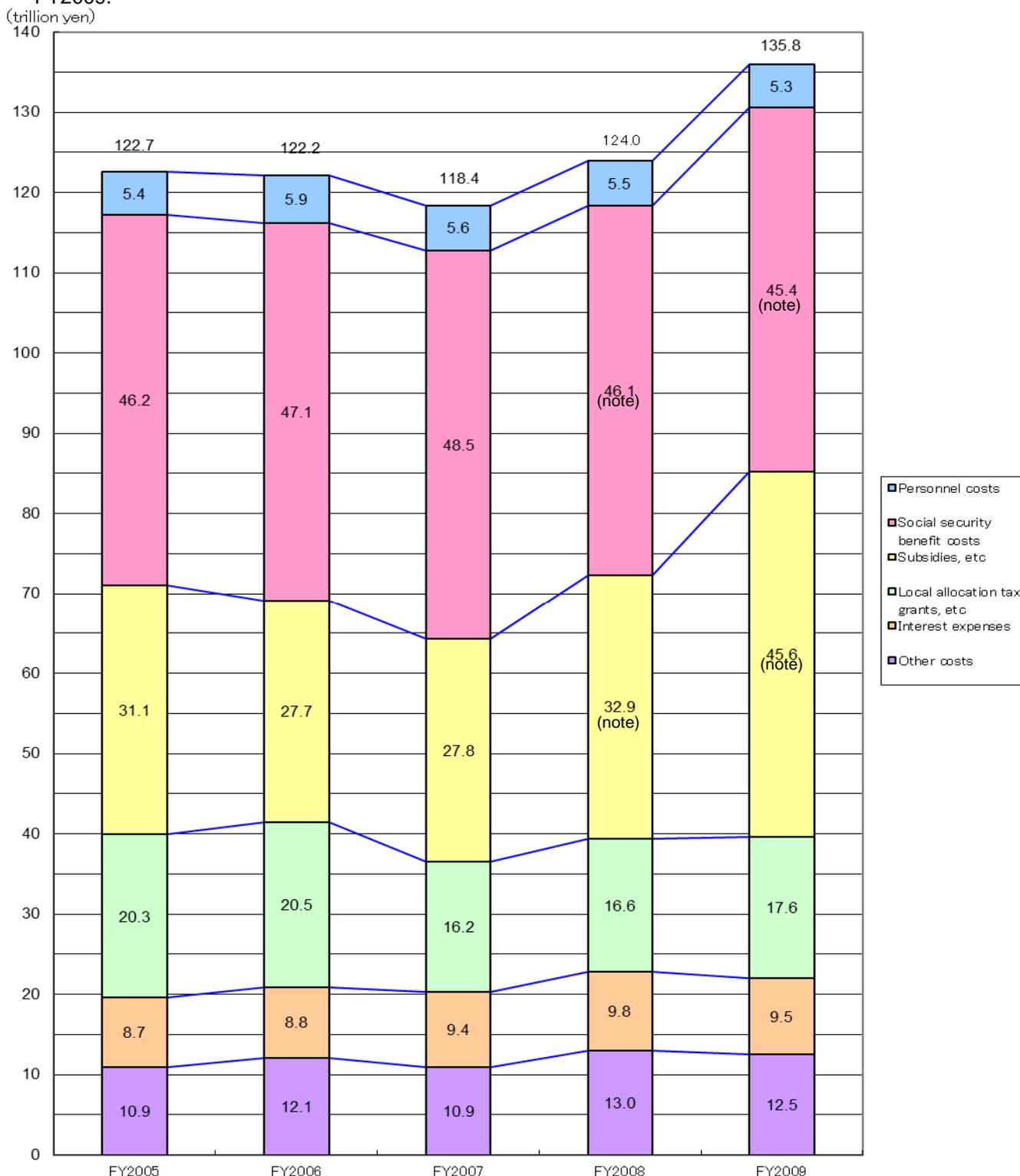


# Transition of the flow items

## Costs

The total cost for FY2009 increased, influenced by the expenditure increase due to second-time formulation of supplementary budgets. Especially for subsidies, increase by 12.7 trillion yen can be seen.

(Note) Health insurance which has been managed by the government came to be managed by Japan health insurance association since October 2008. This results in the increases of the social security benefit costs(health insurance) and the increases of subsidies from 3.3 trillion yen for FY2008 to 6.4 trillion yen for FY2009.



※ The figures present the published amount at the each fiscal year and it does not reflect the changes of accounting policies of subsequent fiscal year.

# Revenues

Tax revenues which accounts for about half of the total revenues has increased every year, but it has been decreasing substantially due to economic downturn since the FY2008.

(Note) In FY2007, the shifting of tax revenues from the national(income tax) to regional level(individual inhabitant tax) was conducted(about 3 trillion yen).

